



**UNITED STATES
NUCLEAR REGULATORY COMMISSION**

**REGION II
SAM NUNN ATLANTA FEDERAL CENTER
61 FORSYTH STREET SW SUITE 23T85
ATLANTA, GEORGIA 30303-8931**

March 22, 2001

Nuclear Fuel Services, Inc.
ATTN: Mr. Dwight Ferguson
President
P. O. Box 337, MS 123
Erwin, TN 37650

SUBJECT: LICENSEE PERFORMANCE REVIEW (LPR) OF LICENSED ACTIVITIES

Dear Mr. Ferguson:

Managers and staff in Region II and the Office of Nuclear Material Safety and Safeguards (ONMSS) completed a review of your performance in conducting NRC licensed activities. The review evaluated your performance during the period beginning November 14, 1999, and ending January 13, 2001. Nuclear Fuel Services, Inc. (NFS) performance was evaluated in five major areas: Safety Operations, Nuclear Material Safeguards, Radiological Controls, Facility Support, and Special Topics. This letter provides you the results of our review, and will be used as a basis for establishing the NRC oversight program for your conduct of licensed activities during the next 12 months.

NFS continued to conduct its activities safely and securely as determined during the review period. The enclosure outlines NRC's findings concerning NFS' strengths, areas needing improvement, and challenges. Strengths were noted in three of the five areas, improvements were determined to be needed in two of the areas, and challenges were identified in four areas.

Our review confirmed that your performance had improved in certain areas. While you have made some progress, our review identified that the areas of safety operations and safety licensing continue to need improvement. We continue to identify problems in procedural compliance, criticality safety analyses, and effective self-assessment. Although you have taken steps, such as your event notification system, to improve performance in event notification, reporting, and tracking, your actions for effective self-assessment and correction of issues warrant further attention.

The results of our review will be discussed with you at your facility during a meeting open to the public on April 18, 2001. During that meeting, we expect you to discuss your view of your performance in the same major areas as the NRC evaluated. We also request that during that meeting you discuss (1) the actions to improve performance in the areas needing improvement and (2) your program to self-identify safety risk issues and take timely and effective corrective action. We request that you include in these discussions the progress you have made in your efforts to foster a work environment which emphasizes safety and safeguards as a high priority and encourages individuals to identify safety and safeguards issues.

NFS' performance warrants NRC's core inspection program with additional inspection in the areas of nuclear criticality safety, fire safety, and material control and accounting. The core inspection program will focus on the areas needing improvement as outlined in the enclosure. The additional inspection of nuclear criticality safety will focus on NFS' nuclear criticality safety analyses. The additional inspection of nuclear materials safeguards will focus on your efforts to improve inventory by processing scrap to a measurable form and on reducing inventory difference. The NRC will continue to emphasize the importance of NFS' self-identifying, resolving, and correcting safety and safeguards related problems.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be available **electronically** for public inspection in the NRC Public Document Room **or** from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/NRC/ADAMS/index.html> (the Public Electronic Reading Room).

Questions and comments about NRC's review of NFS' performance should be referred to Mr. Edward J. McAlpine, who can be reached by telephone at 404-562-4711.

Sincerely,

/RA/

Luis A. Reyes
Regional Administrator

Docket No. 70-143
License No. SNM-124

Enclosure: Licensee Performance Review
- Summary Outline

cc w/encl:
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DATE	03/22/2001	03/22/2001	03/22/2001	N/A	03/22/2001
E-MAIL COPY?	YES NO	YES NO	YES NO	YES NO	YES NO

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NFS, INC. - LICENSEE PERFORMANCE REVIEW - SUMMARY OUTLINE
PERFORMANCE PERIOD: NOVEMBER 14, 1999 TO JANUARY 13, 2001

The following is a summary of the program strengths, improvements, and challenges for the performance of Nuclear Fuel Services, Inc., in the conduct of NRC licensed activities.

PERFORMANCE AREA: SAFETY OPERATIONS

This area is comprised of chemical safety, criticality safety, plant operations, fire safety, and management controls.

PROGRAM STRENGTHS

- None

AREAS NEEDING IMPROVEMENT

- Completeness and accuracy of nuclear criticality safety analyses.
- Management oversight and enforcement of procedural requirements, with an emphasis on the development of worker safety culture towards procedural compliance.
- Management oversight of programs that control the quality of measurements that confirm or demonstrate adherence to regulatory requirements.

CHALLENGES TO PERFORMANCE

- Continued focus on effective self-assessment and timely problem identification, resolution, and correction of root causes that would affect safety and safeguards performance.
- Implementation of new fire suppression system for the 300 complex.

PERFORMANCE AREA: SAFEGUARDS

This area is comprised of material control and accountability and physical protection.

PROGRAM STRENGTHS

- The conduct of tactical exercises (Force-on- Force drills) that included effective interface with offsite agencies.

AREAS NEEDING IMPROVEMENT

- None

Enclosure

CHALLENGES TO PERFORMANCE

- Plan processing so that (1) SNM inventory can be completed in the time required and (2) scrap can be processed to a more accurately measurable form.
- Continue adequate security during decommissioning of facilities and also during the security upgrade of structures.

PERFORMANCE AREA: RADIOLOGICAL CONTROLS

This area is comprised of radiation protection, environmental protection, waste management and transportation.

PROGRAM STRENGTHS

- Implementation of the environmental monitoring program, including the effective evaluation of environmental contamination problems.

AREAS NEEDING IMPROVEMENT

- None

CHALLENGES TO PERFORMANCE

- Containment of on-site environmental contamination.
- Effective implementation of instituted quality control and sample custody programs to ensure against erroneous liquid and solid waste data.

PERFORMANCE AREA: FACILITY SUPPORT

This area is comprised of maintenance and surveillance, training in safety, and emergency preparedness.

PROGRAM STRENGTHS

- Effective computer-based event notification system.

AREAS NEEDING IMPROVEMENT

- None

CHALLENGES TO PERFORMANCE

- None

PERFORMANCE AREA: SPECIAL TOPICS

This area is comprised of safety licensing, fundamental nuclear material control plan, and the security plan.

PROGRAM STRENGTHS

- None

AREAS NEEDING IMPROVEMENT

- Provide sufficient safety basis in licensing submittals in order to make safety determinations.

CHALLENGES TO PERFORMANCE

- Preparation of an adequate integrated safety analysis.
- Preparation and submittal of complete amendment application for new processes and facilities.